

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Village of Roscommon</b>	County <b>Roscommon</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>1/27/05</b>	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Rehmann Robson</b>			
Street Address <b>250 E. Front St.</b>	City <b>Traverse City</b>	State <b>MI</b>	ZIP <b>49685</b>
Accountant Signature <i>Annette Eustice</i>		Date <i>5/10/05</i>	

# **VILLAGE OF ROSCOMMON, MICHIGAN**

## **FINANCIAL STATEMENTS**

**For the Fiscal Year Ended  
December 31, 2004**

# VILLAGE OF ROSCOMMON, MICHIGAN

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**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**

*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITORS' REPORT**

January 27, 2005

The Honorable President and  
Members of the Village Council  
Village of Roscommon  
Roscommon County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the ***Village of Roscommon, Michigan*** (the "Village"), as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison of the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note IV.D, the Village adopted the provisions of Governmental Accounting Standards Board Statement Nos. 34, 37 and 38 and GASB Interpretation 6 as of and for the year ended December 31, 2004. This results in a change to the Village's format and content of the financial statements.

Management's Discussion and Analysis listed on pages 3-10 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated, in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

## **Management's Discussion and Analysis**

As Village Manager for the Village of Roscommon, and head of the Village's financial management team, I am pleased to present to you to this review of our fiscal year ending December 31, 2004. This is the first of our annual financial audits that has incorporated the financial reporting changes called for in the GASB 34 standard. The goal of GASB 34 is to give a more balanced picture of the Village's assets and liabilities. We hope that you will find that to be the case.

Also new this year is management's discussion and analysis. It is the goal of this analysis to help make the information contained in these statements more meaningful for those who review it. If you have any questions, comments or suggestions that would help us in that goal, please feel free to let me know.

We offer readers of the Village of Roscommon's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Village's primary government exceeded its liabilities at the close of the most recent fiscal year by \$6,274,373 (net assets). Of this amount, \$1,459,582 (unrestricted net assets) may be used to meet the Village's ongoing obligations to citizens and creditors.
- The Village's total net assets increased by \$562,811.
- At the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$725,960, an increase of \$21,312 in comparison with the prior year. Approximately 99.0% of the ending fund balances, or \$714,552 is available for spending at the Village's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$413,188, or 59.0% of the total general fund expenditures, not including transfers out.
- The Village's total bonded and notes payable debt not including the component units' activities decreased by \$87,592 during the current fiscal year. The Village entered into a note payable obligation with a bank in the amount of \$150,000 to provide funding for the streetscape improvements.
- The Downtown Development Authority transferred capital assets in the amount of \$220,953 to the primary government (which has been recorded in the general fund) resulting primarily from streetscape improvements not covered by the ACT 99 financing.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the Village's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (for example, earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include the Village council, general government, public safety, public works, recreation and culture, and highway and streets. The business-type activities of the Village include water and sewer operations.

The government-wide financial statements include not only the Village (known as the *primary government*), but also a legally separate authority – the Downtown Development Authority – for which the Village is financially accountable. Financial information for this *component unit* is reported in the supplementary information to these financial statements.

The government-wide financial statements can be found on pages 11-13 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Village maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, which is considered to be major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village adopts an annual appropriated budget for general and special revenue funds. A budgetary comparison statement has been provided herein to demonstrate compliance with that budget for the major fund.

The basic governmental fund financial statements can be found on pages 14-19 of this report.

***Proprietary funds.*** The Village maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its water and sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses an internal service fund to account for its motor pool. Because the service benefits the General, Major and Local Streets, Water and Sewer Fund functions, the services have been allocated between the governmental and business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer Fund, which are considered to be major funds of the Village.

The basic proprietary fund financial statements can be found on pages 20-25 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 26 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-41 of this report.



**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds and component units are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 42-49 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$6,274,373 at the close of the most recent fiscal year.

By far the largest portion of the Village's net assets reflects its investment in capital assets (for example land, buildings, vehicles, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot themselves be used to liquidate these liabilities.

*(Because this is the first year of implementation of Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.)*

#### Village of Roscommon's Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$ 791,315	\$ 776,560	\$ 1,567,875
Capital assets	<u>758,934</u>	<u>6,624,397</u>	<u>7,383,331</u>
Total assets	<u>1,550,249</u>	<u>7,400,957</u>	<u>8,951,206</u>
Long-term liabilities outstanding	141,618	2,438,158	2,579,776
Other liabilities	<u>72,944</u>	<u>24,112</u>	<u>97,056</u>
Total liabilities	<u>214,562</u>	<u>2,462,270</u>	<u>2,676,832</u>
Net assets			
Invested in capital assets, net of related debt	623,376	4,184,474	4,807,850
Unrestricted	<u>712,310</u>	<u>754,213</u>	<u>1,466,523</u>
<b>Total net assets</b>	<b><u>\$ 1,335,686</u></b>	<b><u>\$ 4,938,687</u></b>	<b><u>\$ 6,274,373</u></b>

The remaining balance of *unrestricted net assets* (23% or \$1,466,523) may be used to meet the Village's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the Village as a whole, as well as for its separate governmental and business-type activities.

The Village's net assets increased by \$562,811 during the current fiscal year. This increase came from governmental activities such as property tax collection, grants and investment earnings.

### Village of Roscommon's Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Program revenues			
Charges for services	\$ 93,447	\$ 399,673	\$ 493,120
Operating grants and contributions	3,251	-	3,251
Capital grants and contributions	220,953	237,000	457,953
General revenues			
Property taxes	160,485	135,832	296,317
Grants and contributions not restricted to specific programs	204,612	-	204,612
Other	<u>8,262</u>	<u>14,347</u>	<u>22,609</u>
Total revenues	<u>691,010</u>	<u>786,852</u>	<u>1,477,862</u>
Expenses			
General government	259,075	-	259,075
Public safety	5,550	-	5,550
Public works	112,832	-	112,832
Recreation and culture	1,881	-	1,881
Sewer	-	257,350	257,350
Water	-	165,687	165,687
Interest on long-term debt	<u>1,839</u>	<u>110,837</u>	<u>112,676</u>
Total expenses	<u>381,177</u>	<u>533,874</u>	<u>915,051</u>
Increase (decrease) in net assets before transfers	309,833	252,978	562,811
Transfers	<u>(40,400)</u>	<u>40,400</u>	<u>-</u>
Increase (decrease) in net assets	269,433	293,378	562,811
Net assets – beginning of year	<u>1,066,253</u>	<u>4,645,309</u>	<u>5,711,562</u>
Net assets – end of year	<u><b>\$ 1,335,686</b></u>	<u><b>\$ 4,938,687</b></u>	<u><b>\$ 6,274,373</b></u>

**Governmental activities:** Governmental activities increased the Village's net capital assets by \$269,433. A key element of this increase is the transfer of the Downtown Development Authority's capital assets in the amount of \$220,953, which was recorded as contributions in the accompanying financial statements.

**Business-type activities:** Business-type activities increased the Village's net assets by \$293,378. Key elements of this increase are as follows:

- Grant funding in the amount of \$237,000 received from the United States Department of Agriculture related to the water system upgrade contributed to the increase in net assets.
- Charges for services increased by \$25,715 (7%) as a result of the completion of the water system upgrade which increased the usage by customers per occurrence.

### **Financial Analysis of the Village's Funds**

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a Village's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$725,960, an increase of \$21,312 in comparison with the prior year. Approximately \$715,000 constitutes *unreserved fund balance*, which is available at the Village's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed as a reserve for prepaid expenditures.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, \$11,408 (2.7%) of the total fund balance of the General Fund of \$424,596 was reserved for prepaid expenditures and the remaining \$413,188 was unreserved. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures, not including transfers to other funds. Unreserved fund balance represents 58.7% of total General Fund expenditures.

The fund balance of the Village's General Fund increased by \$3,332 during the current fiscal year. Although operating expenses exceeded operating revenues by \$112,768 and transfers out amounted to \$40,400, proceeds received from the issuances of debt and sale of assets in the amounts of \$150,000 and \$6,500, respectively, contributed to the increase in the fund balance of the General Fund.

**Proprietary funds.** The Village's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets at the end of the year amounted to \$718,234, with capital assets net of related debt of \$4,042,992. The Water and Sewer Funds had an increase in net assets of \$265,557. Other factors concerning the finances of these funds have already been addressed in the discussion of the Village's business-type activities.

### General Fund Budgetary Highlights:

- Borrowing of \$150,000 to assist the DDA in expansion of Streetscape Project.
- Holding expenditures well below original budgeted amounts.
- Overcoming a nearly 10% reduction in State Revenue Sharing.

The original expenditures budgeted for fiscal year end 2004 budget were \$377,484. The amended expenditures were \$361,894. Actual expenditures were \$704,030, a negative variance of \$342,136 from the amended budget. This results primarily because improvements of the Downtown Development Authority in the amount of \$370,953 were transferred to the General Fund and not budgeted for in the General Fund.

### Capital Asset and Debt Administration

**Capital Assets.** The Village's investment in capital assets for its governmental and business-type activities as of December 31, 2004 amounted to \$7,383,331 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems improvements, machinery and equipment, furniture and fixtures and roads. The total increase in the Village's investment in capital assets for the current fiscal year was 15.8% (a 10.8% percent increase for governmental activities and 5.0% increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Completion of the water system upgrade.
- Completion of the downtown streetscape projects.

Additional information on the Village's capital assets can be found in Note III.C on pages 33-34 of this report.

#### Village of Roscommon's Capital Assets (net of depreciation)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$ 335,186	\$ 7,021	\$ 342,207
Land improvements	377,266	-	377,266
Infrastructure	19,300	-	19,300
Buildings and systems	1,600	6,402,214	6,403,814
Equipment	25,582	120,676	146,258
Vehicles	-	94,486	94,486
<b>Total</b>	<b><u>\$ 758,934</u></b>	<b><u>\$ 6,624,397</u></b>	<b><u>\$ 7,383,331</u></b>

Note Payable Long-Term Debt. At the end of the current fiscal year, the Village had total bonded debt and notes payable outstanding of \$2,568,460 which comprises debt backed by the full faith and credit of the Village. The Village has also pledged its full faith and credit to the Downtown Development Authority Component Unit bonded debt agreements of \$270,000.

**Village of Roscommon's Outstanding Debt**  
(general obligation and revenue bonds)

The Village's primary government has \$2,579,776 in long-term debt. The breakdown of this debt is as follows:

General obligation bonds	\$ 1,420,268
Revenue bonds	977,000
Notes payable	171,192
Accrued vacation and sick	<u>11,316</u>
<b>Total</b>	<b><u>\$ 2,579,776</u></b>

The Village and Component Unit's total debt increased by \$107,592 (4.3%) during the current fiscal year, with \$150,000 new debt issued in the governmental activities.

State statute limits the amount of general obligation debt a governmental entity may issue to ten percent of the local unit's total state equalized valuation. The current debt limitation for the Village is \$2,242,084, which is significantly greater than the Village's outstanding general obligation debt.

Additional information on the Village's long-term debt can be found in Note III.F on pages 35-38 of this report.

**Economic Factors and Next Year's Budget Considerations**

The coming fiscal year is expected to see a continuation of the challenging economic times. A national economic turn-around is anticipated, but has yet to arrive. The impact that this has had on the national and state budgets is continuing to cause difficulties for local government. This is seen most directly on the Village in the State of Michigan's cuts in state shared revenues. Given the state's continuing financial problems, the Village is bracing itself for even more bad news from Lansing regarding the future of state shared revenues. This can be offset, in part, by continuing investment in the Village in the terms of new construction and remodeling, which, in return, will increase property tax revenues.

In addition to the guarded revenue forecast, the Village anticipates significant expenditure increases in areas such as our insurance coverage for both liability and health related insurances and utility costs.

The Village is fortunate to have built up a significant unreserved fund balance of almost \$875,000. In a worst-case scenario, these funds provide the Village both the time and the means to weather most unexpected challenges.

**Requests for Information**

This discussion and analysis is designed to provide a general overview of the Village's finances. I wish to particularly note the efforts and contributions of the other members of the financial management team, your Village Clerk and Village Treasurer. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Manager, Village Hall, PO Box 236, Roscommon, MI 48653 or via email at [mike@roscommonvillage.com](mailto:mike@roscommonvillage.com).

# VILLAGE OF ROSCOMMON

## STATEMENT OF NET ASSETS

DECEMBER 31, 2004

	Primary Government			DDA
	Governmental	Business-type		Component
	Activities	Activities	Total	Unit
ASSETS				
Cash and cash equivalents	\$ 725,237	\$ 547,448	\$ 1,272,685	\$ 116,652
Receivables	62,260	59,551	121,811	384,676
Internal balances	(7,590)	7,590	-	-
Prepaid expenses	11,408	-	11,408	-
Restricted cash and cash equivalents	-	161,971	161,971	-
Land	335,186	7,021	342,207	-
Depreciable capital assets	423,748	6,617,376	7,041,124	-
Total assets	1,550,249	7,400,957	8,951,206	501,328
LIABILITIES				
Accounts payable and accrued expenses	72,945	24,112	97,057	585
Unearned revenue	-	-	-	384,676
Noncurrent liabilities				
Due within one year	28,477	75,291	103,768	20,000
Due in more than one year	113,141	2,362,867	2,476,008	250,000
Total liabilities	214,563	2,462,270	2,676,833	655,261
NET ASSETS				
Invested in capital assets, net of related debt	623,376	4,191,495	4,814,871	-
Unrestricted (deficit)	712,310	747,192	1,459,502	(153,933)
Total net assets	\$ 1,335,686	\$ 4,938,687	\$ 6,274,373	\$ (153,933)

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ROSCOMMON

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2004

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary government</b>					
Governmental activities					
General government	\$ 259,075	\$ 15,106	\$ 3,251	\$ -	\$ (240,718)
Public safety	5,550	1,808	-	-	(3,742)
Public works	112,832	76,533	-	220,953	184,654
Recreation and culture	1,881	-	-	-	(1,881)
Interest on long-term debt	1,839	-	-	-	(1,839)
<b>Total governmental activities</b>	<b>381,177</b>	<b>93,447</b>	<b>3,251</b>	<b>220,953</b>	<b>(63,526)</b>
Business-type activities					
Sewer	326,117	179,341	-	-	(146,776)
Water	207,757	220,332	-	237,000	249,575
<b>Total business-type activities</b>	<b>533,874</b>	<b>399,673</b>	<b>-</b>	<b>237,000</b>	<b>102,799</b>
<b>Total primary government</b>	<b>\$ 915,051</b>	<b>\$ 493,120</b>	<b>\$ 3,251</b>	<b>\$ 457,953</b>	<b>\$ 39,273</b>
<b>Component units</b>					
Downtown Development					
Authority - economic developmen	\$ 433,873	\$ -	\$ -	\$ 150,000	\$ (283,873)

Continued...

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ROSCOMMON

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2004

	Primary Government			DDA
	Governmental	Business-type	Total	Component
	Activities	Activities		Unit
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (63,526)	\$ 102,799	\$ 39,273	\$ (283,873)
General revenues				
Property taxes	160,485	135,832	296,317	190,109
Grants and contributions not restricted to specific programs	204,612	-	204,612	-
Unrestricted investment earnings	6,762	14,347	21,109	371
Gain on sale of capital assets	1,500	-	1,500	-
Transfers - internal activities	(40,400)	40,400	-	-
<b>Total general revenues and transfers</b>	<b>332,959</b>	<b>190,579</b>	<b>523,538</b>	<b>190,480</b>
Changes in net assets	269,433	293,378	562,811	(93,393)
Net assets, beginning of year	1,066,253	4,645,309	5,711,562	(60,540)
<b>Net assets (deficit), end of year</b>	<b>\$ 1,335,686</b>	<b>\$ 4,938,687</b>	<b>\$ 6,274,373</b>	<b>\$ (153,933)</b>

Concluded

The accompanying notes are an integral part of these financial statements.



# VILLAGE OF ROSCOMMON

## BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2004

	General	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 430,075	\$ 295,162	\$ 725,237
Taxes receivable	15,460	-	15,460
Due from other governmental units	39,598	7,202	46,800
Prepaid expenditures	11,408	-	11,408
<b>Total assets</b>	<b>\$ 496,541</b>	<b>\$ 302,364</b>	<b>\$ 798,905</b>
<b>Liabilities</b>			
Accounts payable	\$ 1,254	\$ 1,000	\$ 2,254
Due to other governmental units	70,691	-	70,691
<b>Total liabilities</b>	<b>71,945</b>	<b>1,000</b>	<b>72,945</b>
<b>Fund balances</b>			
Reserved for prepaid expenditures	11,408	-	11,408
Unreserved			
Undesignated			
General Fund	413,188	-	413,188
Special revenue funds	-	294,371	294,371
Capital projects fund	-	6,993	6,993
<b>Total fund balances</b>	<b>424,596</b>	<b>301,364</b>	<b>725,960</b>
<b>Total liabilities and fund balances</b>	<b>\$ 496,541</b>	<b>\$ 302,364</b>	<b>\$ 798,905</b>

Continued ...

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ROSCOMMON

## BALANCE SHEET

### GOVERNMENTAL FUNDS

DECEMBER 31, 2004

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#### Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

Fund balances - total governmental funds	\$ 725,960
--	------------

Amounts reported for governmental activities in the statement of net assets  
are different because

Capital assets used in governmental activities are not current financial resources  
and therefore are not reported in the funds.

Add - capital assets	861,298
Deduct - accumulated depreciation	(102,364)

An internal service fund is used by management to charge the costs of certain equipment  
usage to individual governmental and enterprise funds. A portion of the assets and  
liabilities of the internal service fund are included in governmental activities in the  
statement of net assets.

Deduct - net assets of governmental activities accounted for in the internal service fund	(7,590)
---	---------

Certain liabilities, such as bonds payable, are not due and payable in the current period and  
therefore are not reported in the funds

Deduct - bonds payable	(135,558)
Deduct - compensated absences and other long-term liabilities	(6,060)

<b>Net assets of governmental activities</b>	<b><u>\$ 1,335,686</u></b>
--	----------------------------

Concluded

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ROSCOMMON

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 160,485	\$ -	\$ 160,485
State revenues	109,261	95,351	204,612
Contributions	220,953	-	220,953
License and permits	4,144	-	4,144
Charges for services	88,400	-	88,400
Fines and forfeits	903	-	903
Sale of assets	6,500	-	6,500
Interest	3,865	2,897	6,762
Refunds	3,251	-	3,251
<b>Total revenues</b>	<b>597,762</b>	<b>98,248</b>	<b>696,010</b>
<b>Expenditures</b>			
Current			
General government	258,074	985	259,059
Public safety	5,550	-	5,550
Public works	422,244	-	422,244
Recreation and culture	1,881	-	1,881
Highway and streets	-	79,283	79,283
Debt service			
Principal	14,442	-	14,442
Interest and fiscal charges	1,839	-	1,839
<b>Total expenditures</b>	<b>704,030</b>	<b>80,268</b>	<b>784,298</b>
Revenues over (under) expenditures	(106,268)	17,980	(88,288)
<b>Other financing sources (uses)</b>			
Proceeds from long-term debt	150,000	-	150,000
Transfers in	-	5,200	5,200
Transfers out	(40,400)	(5,200)	(45,600)
<b>Total other financing sources (uses)</b>	<b>109,600</b>	<b>-</b>	<b>109,600</b>
Net changes in fund balances	3,332	17,980	21,312
Fund balances, beginning of year	421,264	283,384	704,648
<b>Fund balances, end of year</b>	<b>\$ 424,596</b>	<b>\$ 301,364</b>	<b>\$ 725,960</b>

Continued...

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ROSCOMMON

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

---

### Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities

Net change in fund balances - total governmental funds \$ 21,312

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	401,051
Deduct - depreciation expense	(3,912)

The net effect of various miscellaneous transactions involving capital assets effects net assets.

Deduct - In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.	(5,000)
---	---------

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	14,442
Deduct - Debt proceeds received for long-term liabilities	(150,000)

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental and enterprise funds. The net revenue (expense) of the internal service fund attributable to the governmental funds is reported with governmental activities.

Add - net assets of governmental activities accounted for in the internal service fund	(7,590)
--	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in the accrual for compensated absences	(870)
---	-------

<b>Change in net assets of governmental activities</b>	<b>\$ 269,433</b>
--	-------------------

Concluded

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ROSCOMMON

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property taxes	\$ 159,784	\$ 150,600	\$ 160,485	\$ 9,885
State revenues	120,000	110,006	109,261	(745)
Contributions	-	-	220,953	220,953
License and permits	7,000	3,999	4,144	145
Charges for services	53,100	95,544	88,400	(7,144)
Fines and forfeits	-	-	903	903
Sale of assets	-	-	6,500	6,500
Interest	6,000	3,028	3,865	837
Refunds	-	-	3,251	3,251
<b>Total revenues</b>	<b>345,884</b>	<b>363,177</b>	<b>597,762</b>	<b>234,585</b>
<b>General government</b>				
Village council	11,500	9,500	9,322	(178)
Village president	3,100	2,100	2,120	20
Village manager	27,000	26,000	26,412	412
Elections	800	1,060	1,058	(2)
Audit	5,500	7,500	7,500	-
Attorney	2,500	2,500	2,438	(62)
Clerk	8,500	8,500	6,650	(1,850)
Treasurer	8,500	6,100	6,650	550
Office assistant	9,000	9,000	9,503	503
Village hall	38,000	33,300	30,139	(3,161)
Village property	5,000	1,500	2,598	1,098
Cemetery	3,000	1,600	1,545	(55)
Benefits and insurance	140,000	140,000	144,151	4,151
Promotion and dues	5,000	5,000	4,065	(935)
Unallocated	8,484	5,634	3,923	(1,711)
<b>Total general government</b>	<b>275,884</b>	<b>259,294</b>	<b>258,074</b>	<b>(1,220)</b>
<b>Public safety</b>				
Law enforcement	1,800	1,800	1,808	8
Protective inspection	7,500	7,500	3,742	(3,758)
<b>Total public safety</b>	<b>9,300</b>	<b>9,300</b>	<b>5,550</b>	<b>(3,750)</b>

The accompanying notes are an integral part of these financial statements.

Continued ...

# VILLAGE OF ROSCOMMON

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Public works</b>				
Department of public works	\$ 18,800	\$ 15,800	\$ 12,851	\$ (2,949)
Sidewalks	20,000	20,000	19,479	(521)
Downtown improvements	-	-	370,953	370,953
Street lighting	16,000	20,000	18,961	(1,039)
<b>Total public works</b>	<b>54,800</b>	<b>55,800</b>	<b>422,244</b>	<b>366,444</b>
<b>Recreation and culture</b>				
<b>Parks</b>	<b>1,500</b>	<b>1,500</b>	<b>1,881</b>	<b>381</b>
<b>Debt Service</b>				
Principal payments	14,442	14,442	14,442	-
Interest and fiscal charges	21,558	21,558	1,839	(19,719)
<b>Total debt service</b>	<b>36,000</b>	<b>36,000</b>	<b>16,281</b>	<b>(19,719)</b>
<b>Total expenditures</b>	<b>377,484</b>	<b>361,894</b>	<b>704,030</b>	<b>342,136</b>
Revenues over (under) expenditures	(31,600)	1,283	(106,268)	(107,551)
<b>Other financing sources (uses)</b>				
Proceeds from long-term debt	-	-	150,000	150,000
Transfers out	(40,400)	(40,400)	(40,400)	-
<b>Total other financing sources (uses)</b>	<b>(40,400)</b>	<b>(40,400)</b>	<b>109,600</b>	<b>150,000</b>
Net change in fund balance	(72,000)	(39,117)	3,332	42,449
Fund balance, beginning of year	421,264	421,264	421,264	-
<b>Fund balance, end of year</b>	<b>\$ 349,264</b>	<b>\$ 382,147</b>	<b>\$ 424,596</b>	<b>\$ 42,449</b>

Concluded

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ROSCOMMON

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS

DECEMBER 31, 2004

	<u>Business-type Activities</u>			<u>Internal</u>
	<u>Enterprise -</u>	<u>Enterprise -</u>		<u>Service - Motor</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Pool</u>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 212,959	\$ 305,218	\$ 518,177	\$ 29,271
Taxes receivable	15,668	7,587	23,255	-
Accounts receivable	19,491	16,805	36,296	-
<b>Total current assets</b>	<b>248,118</b>	<b>329,610</b>	<b>577,728</b>	<b>29,271</b>
Noncurrent assets				
Restricted cash and cash equivalents	71,293	90,678	161,971	-
Land	-	7,021	7,021	-
Depreciable capital assets - net	3,574,538	2,865,722	6,440,260	177,116
<b>Total noncurrent assets</b>	<b>3,645,831</b>	<b>2,963,421</b>	<b>6,609,252</b>	<b>177,116</b>
<b>Total assets</b>	<b>3,893,949</b>	<b>3,293,031</b>	<b>7,186,980</b>	<b>206,387</b>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	1,368	5,504	6,872	707
Accrued expenses	16,358	-	16,358	175
Current portion of bonds payable	29,000	27,000	56,000	19,291
<b>Total current liabilities</b>	<b>46,726</b>	<b>32,504</b>	<b>79,230</b>	<b>20,173</b>
Noncurrent liabilities				
Accrued compensated absences	3,262	1,994	5,256	-
Bonds payable, net of current portion	1,480,268	861,000	2,341,268	16,343
<b>Total liabilities</b>	<b>1,530,256</b>	<b>895,498</b>	<b>2,425,754</b>	<b>36,516</b>
<b>Net assets</b>				
Investment in capital assets, net of related debt	2,065,270	1,984,743	4,050,013	141,482
Unrestricted	298,423	412,790	711,213	28,389
<b>Total net assets</b>	<b>\$ 2,363,693</b>	<b>\$ 2,397,533</b>	<b>\$ 4,761,226</b>	<b>\$ 169,871</b>

Continued ...

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ROSCOMMON

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS

DECEMBER 31, 2004

---

### Reconciliation of Net Assets on the Statement of Net Assets for Enterprise Funds to Net Assets of Business-Type Activities on the Statement of Net Assets

Net assets - total enterprise funds	\$ 4,761,226
-------------------------------------	--------------

Amounts reported for business-type activities in the statement of net assets  
are different because

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental and enterprise funds. A portion of the assets and liabilities of the internal service fund are included in business-type activities in the statement of net assets.

Add: net assets of business-type activities accounted for in internal service funds	<u>177,461</u>
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<b>Net assets of business-type activities</b>	<b><u><u>\$ 4,938,687</u></u></b>
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Concluded

The accompanying notes are an integral part of these financial statements.



# VILLAGE OF ROSCOMMON

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	<b>Business-type Activities</b>			<b>Internal</b>
	<b>Enterprise -</b>	<b>Enterprise -</b>	<b>Total</b>	<b>Service - Motor</b>
	<b>Sewer</b>	<b>Water</b>		<b>Pool</b>
<b>Operating revenues</b>				
Charges for services	\$ 179,341	\$ 220,332	\$ 399,673	\$ 53,119
Local sources	-	-	-	15
<b>Total operating revenues</b>	<b>179,341</b>	<b>220,332</b>	<b>399,673</b>	<b>53,134</b>
<b>Operating expenses</b>				
Personnel services	73,972	65,038	139,010	28,657
Supplies and materials	13,085	16,426	29,511	5,511
Contractual services	-	1,368	1,368	-
Repairs and maintenance	14,180	9,957	24,137	(442)
Depreciation	97,198	23,294	120,492	29,756
Utilities	34,248	26,334	60,582	5,213
Other	19,949	18,877	38,826	1,140
<b>Total operating expenses</b>	<b>252,632</b>	<b>161,294</b>	<b>413,926</b>	<b>69,835</b>
Operating (loss) income	(73,291)	59,038	(14,253)	(16,701)
<b>Nonoperating revenues (expenses)</b>				
Property taxes	89,394	46,438	135,832	-
Interest income	6,700	7,510	14,210	137
Interest and fiscal charges	(68,767)	(38,465)	(107,232)	(3,605)
<b>Total nonoperating revenues (expenses)</b>	<b>27,327</b>	<b>15,483</b>	<b>42,810</b>	<b>(3,468)</b>
<b>Capital contributions</b>	<b>-</b>	<b>237,000</b>	<b>237,000</b>	<b>-</b>
<b>Transfers in</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,400</b>
Change in net assets	(45,964)	311,521	265,557	20,231
Net assets, beginning of year	2,409,657	2,086,012	4,495,669	149,640
<b>Net assets, end of year</b>	<b>\$ 2,363,693</b>	<b>\$ 2,397,533</b>	<b>\$ 4,761,226</b>	<b>\$ 169,871</b>

Continued ...

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ROSCOMMON

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

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### Reconciliation of the Statement of Revenues, Expenses and Changes in Net Assets of Enterprise Funds to the Statement of Activities

Change in net assets - all enterprise funds	\$ 265,557
---	------------

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental and enterprise funds. The net revenue (expense) of the internal service fund attributable to the enterprise funds is reported with business-type activities.

Add - interest revenue	137
Add - transfers in from other funds	40,400
Deduct - interest expense	(3,605)
Deduct - net operating loss from business-type activities accounted for in internal service funds	<u>(9,111)</u>

<b>Change in net assets of business-type activities</b>	<b><u>\$ 293,378</u></b>
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Concluded

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF ROSCOMMON**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Business-type Activities</u>			
	<u>Enterprise- Sewer</u>	<u>Enterprise- Water</u>	<u>Total</u>	<u>Internal Service- Motor Pool</u>
<b>Cash flows from operating activities</b>				
Cash received from interfund services	\$ -	\$ -	\$ -	\$ 53,134
Cash received from customers	177,544	221,562	399,106	-
Cash payments to suppliers for goods and services	(151,777)	(129,520)	(281,297)	(44,257)
Cash payments to employees for services	3,262	1,994	5,256	-
<b>Net cash provided by operating activities</b>	<b>29,029</b>	<b>94,036</b>	<b>123,065</b>	<b>8,877</b>
<b>Cash flows from non-capital financing activities</b>				
Cash received from property taxes	83,536	43,190	126,726	-
Transfers from other funds	-	-	-	40,400
Repayment on interfund loan	(11,866)	(12,923)	(24,789)	(4,481)
<b>Net cash provided by non-capital financing activities</b>	<b>71,670</b>	<b>30,267</b>	<b>101,937</b>	<b>35,919</b>
<b>Cash flows from capital and related financing activities</b>				
Federal grant	-	351,424	351,424	-
Principal payments	(28,000)	(27,000)	(55,000)	(18,150)
Interest payments	(68,767)	(38,465)	(107,232)	(3,605)
Purchases of capital assets	(31,435)	(309,515)	(340,950)	-
<b>Net cash used in capital and related financing activities</b>	<b>(128,202)</b>	<b>(23,556)</b>	<b>(151,758)</b>	<b>(21,755)</b>
<b>Cash flows provided by investing activities</b>				
Interest received	6,700	7,510	14,210	137
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(20,803)</b>	<b>108,257</b>	<b>87,454</b>	<b>23,178</b>
Cash and cash equivalents, beginning of year	305,055	287,639	592,694	6,093
<b>Cash and cash equivalents, end of year</b>	<b>\$ 284,252</b>	<b>\$ 395,896</b>	<b>\$ 680,148</b>	<b>\$ 29,271</b>
<b>Balance sheet classification of cash and cash equivalents</b>				
Cash and cash equivalents	\$ 212,959	\$ 305,218	\$ 518,177	\$ 29,271
Restricted assets	71,293	90,678	161,971	-
	<b>\$ 284,252</b>	<b>\$ 395,896</b>	<b>\$ 680,148</b>	<b>\$ 29,271</b>

Continued ...

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF ROSCOMMON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Business-type Activities</u>			
	<u>Enterprise- Sewer</u>	<u>Enterprise- Water</u>	<u>Total</u>	<u>Internal Service- Motor Pool</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ (73,291)	\$ 59,038	\$ (14,253)	\$ (16,701)
Adjustments to reconcile operating (loss) income to net cash provided by operating activities				
Depreciation	97,198	23,293	120,491	29,756
Changes in assets and liabilities				
Receivables	(1,797)	1,230	(567)	-
Inventories	6,529	8,957	15,486	-
Prepaid expenses	10,000	27,000	37,000	-
Accounts payable	(12,872)	(27,476)	(40,348)	(4,178)
Accrued expenses	3,262	1,994	5,256	-
<b>Net cash provided by operating activities</b>	<b><u>\$ 29,029</u></b>	<b><u>\$ 94,036</u></b>	<b><u>\$ 123,065</u></b>	<b><u>\$ 8,877</u></b>

Concluded

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF ROSCOMMON**

**STATEMENT OF FIDUCIARY NET ASSETS -  
AGENCY FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2004**

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	<b><u>Current Tax Collection Fund</u></b>
<b>Assets</b>	
Cash and cash equivalents (equals total assets)	<b><u>\$          9</u></b>
<b>Liabilities</b>	
Accounts payable (equals total liabilities)	<b><u>\$          9</u></b>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ROSCOMMON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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DECEMBER 31, 2004

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**VILLAGE OF ROSCOMMON**  
**NOTES TO FINANCIAL STATEMENTS**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

As required by accounting principles generally accepted in the United States, the financial statements of the reporting entity include those of the Village and its component unit. The component unit discussed below is included in the Village's reporting entity because of the significance of its operational or financial relationship with the Village.

**Discretely Presented Component Unit**

**Downtown Development Authority (the "DDA")**– The Village Council appoints the members of the governing board of the Authority. The Village also has the ability to significantly influence the operations of the Downtown Development Authority. A complete financial statement of the Downtown Development Authority can be obtained from the Village Treasurer, Village of Roscommon, 214 South Main Street, Roscommon, Michigan 48653.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**VILLAGE OF ROSCOMMON**  
**NOTES TO FINANCIAL STATEMENTS**

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The Village reports the following major governmental fund:

The *General Fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Village reports the following major enterprise funds:

The *Water Fund* accounts for the activities of the Village's water distribution.

The Sewer Fund accounts for the activities of the Village's sewage disposal and treatment system.

Additionally, the Village reports the following fund types:

The *Major Streets Fund* accounts for the use of motor fuel taxes and trunkline maintenance funds, which are earmarked by State statute for major street and highway purposes.

The *Local Streets Fund* accounts for the use of motor fuel taxes, which are earmarked by State statute for local street and highway purposes.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The *Internal Service Fund* accounts for fleet and equipment management to other departments or agencies of the Village, or to other governments, on a cost reimbursement basis.

The *Agency Fund* accounts for assets held for other governments in an agency capacity, including tax collections.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available*



**VILLAGE OF ROSCOMMON**  
**NOTES TO FINANCIAL STATEMENTS**

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when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function, cost of building rent and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Enterprise Fund and of the government's Motor Pool Internal Service Fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

**VILLAGE OF ROSCOMMON**  
**NOTES TO FINANCIAL STATEMENTS**

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**D. Assets, liabilities and net assets or equity**

**1. *Deposits and investments***

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value.

**2. *Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**3. *Restricted assets***

Certain proceeds of the Sewer and Water revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. Also, certain resources have been set aside to fund capital asset replacements.

**4. *Prepaid items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**5. *Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**VILLAGE OF ROSCOMMON**  
**NOTES TO FINANCIAL STATEMENTS**

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government and component unit are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Public domain infrastructure	20
System infrastructure	20-50
Vehicles	5-10
Equipment	5-20

**6. *Compensated absences***

It is the Village's policy to permit employees to accumulate earned but unused paid time off. Paid time off is accumulated up to a maximum of 400 hours for full time employees and 200 for part time employees and upon retirement or termination the employee will be paid for their unused vacation at their current hourly rate. The liability for these amounts is included in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

**7. *Long-term obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**VILLAGE OF ROSCOMMON**  
**NOTES TO FINANCIAL STATEMENTS**

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**8. *Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

Not later than December 31st of each year, the Village Council shall by resolution adopt a budget for the next fiscal year, shall appropriate the money needed for municipal purposes during the next fiscal year of the Village and shall provide for a levy of the amount necessary to be raised by taxes upon real and personal property for municipal purposes subject to limitations.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the Village Council is the functional level, which is the level at which expenditures may not legally exceed appropriations. The Village Manager may make transfers of appropriations between departments within any funds; however, any supplemental appropriations that amend the total expenditures of any fund require a Village Councils' resolution.

**B. Excess of expenditures over appropriations**

For the year ended December 31, 2004, the General Fund's expenditures exceeded appropriations as follows:

<b>General Government</b>	
Village president	\$ 20
Village manager	412
Treasurer	550
Office assistant	503
Village property	1,098
Benefits and insurance	4,151

**VILLAGE OF ROSCOMMON**  
**NOTES TO FINANCIAL STATEMENTS**

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<b>Public Safety</b>	
Law enforcement	8
<b>Public Works</b>	
Downtown improvements	370,953
<b>Recreation and Culture</b>	
Parks	381

These over expenditures were funded by note proceeds, greater than anticipated revenues in the fund and the use of prior year fund balances.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

Michigan Compiled Laws, Section 129.91 authorizes the local government unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the estate of Michigan or its political subdivisions which are rates as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village Council has designated two banks for the deposit of Village funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and certificates of deposit but not the remainder of state statutory authority as listed above.

The Village's deposit and investment policy is in accordance with statutory authority.

Cash and cash equivalents are reported in the financial statement as follows:

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
\$ <u>725,237</u>	\$ <u>672,419</u>	\$ <u>1,397,656</u>	\$ <u>9</u>	\$ <u>116,652</u>

**VILLAGE OF ROSCOMMON**  
**NOTES TO FINANCIAL STATEMENTS**

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At year-end, the carrying amount of the primary government's deposits was \$1,397,656. The bank balance was \$1,412,326. Of the bank balance, \$168,000 was covered by federal depository insurance, and the remaining balance of \$1,244,326 was uninsured and uncollateralized. The carrying amount of the component unit's deposit was \$116,652. The bank balance was \$128,695. Of the bank balance \$32,000 was insured, and the remaining balance of \$96,695 was uninsured and uncollateralized.

**B. Receivables**

Receivables in the Village's governmental-type activities consist of 75% due from other governments and 25% taxes receivable. Receivables in the business-type activities consist of 61% due from customers and 39% taxes receivable. Receivables in the component unit consist entirely of amounts due from other governments.

**C. Capital assets**

**Primary Government**

Capital assets activity in the governmental and business-type activities was as follows for the year ended December 31, 2004:

	<u>January 1,</u> <u>2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31,</u> <u>2004</u>
<b>Governmental activities</b>				
Capital assets not being depreciated – land	\$ 340,186	\$ -	\$ (5,000)	\$ 335,186
Capital assets being depreciated				
Land improvements	6,645	370,953	-	377,598
Infrastructure	-	19,300	-	19,300
Buildings and structures	89,252	-	-	89,252
Equipment	24,164	10,798	-	34,962
Furniture and fixtures	5,000	-	-	5,000
Total capital assets being depreciated	<u>125,061</u>	<u>401,051</u>	<u>-</u>	<u>526,112</u>
Less accumulated depreciation for				
Land improvements	-	(332)	-	(332)
Buildings and structures	(84,452)	(3,200)	-	(87,652)
Equipment	(9,000)	(380)	-	(9,380)
Furniture and fixtures	(5,000)	-	-	(5,000)
Total accumulated depreciation	<u>(98,452)</u>	<u>(3,912)</u>	<u>-</u>	<u>(102,364)</u>

**VILLAGE OF ROSCOMMON**  
**NOTES TO FINANCIAL STATEMENTS**

	<u>January 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2004</u>
Total capital assets being depreciated, net	<u>26,609</u>	<u>397,139</u>	<u>-</u>	<u>423,748</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 366,795</u></b>	<b><u>\$ 397,139</u></b>	<b><u>\$ (5,000)</u></b>	<b><u>\$ 758,934</u></b>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 7,021	\$ -	\$ -	\$ 7,021
Construction in progress	<u>2,001,662</u>	<u>-</u>	<u>(2,001,662)</u>	<u>-</u>
Total capital assets not being depreciated	<u>2,008,683</u>	<u>-</u>	<u>(2,001,662)</u>	<u>7,021</u>
Capital assets being depreciated				
Buildings	80,418	-	-	80,418
Sewer system	4,769,163	15,600	-	4,784,763
Machinery and equipment	312,504	15,832	-	328,336
Furniture and fixtures	1,272	-	-	1,272
Vehicles	<u>154,716</u>	<u>-</u>	<u>-</u>	<u>154,716</u>
Total capital assets being depreciated	<u>6,361,567</u>	<u>2,342,612</u>	<u>-</u>	<u>8,704,179</u>
Less accumulated depreciation for				
Buildings	(20,353)	(3,715)	-	(24,068)
Sewer system	(1,209,188)	(87,382)	-	(1,296,570)
Water system	(475,841)	(21,162)	-	(497,003)
Machinery and equipment	(188,661)	(18,999)	-	(207,660)
Furniture and fixtures	(1,272)	-	-	(1,272)
Total accumulated depreciation	<u>(1,936,555)</u>	<u>(150,248)</u>	<u>-</u>	<u>(2,086,803)</u>
Total capital assets being depreciated, net	<u>4,425,012</u>	<u>2,192,364</u>	<u>-</u>	<u>6,617,376</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 6,433,695</u></b>	<b><u>\$ 2,192,364</u></b>	<b><u>\$( 2,001,662)</u></b>	<b><u>\$ 6,624,397</u></b>

**VILLAGE OF ROSCOMMON**  
**NOTES TO FINANCIAL STATEMENTS**

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Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities**

**General government (equals total depreciation expense) \$ 3,912**

**Business-type activities**

Sewer	97,198
Water	23,294
Capital assets held by the Village's internal service funds charged to the various functions based on their usage of the assets	29,756

**Total depreciation expense – business-type activities \$ 150,248**

**D. Account payables and accrued expenses**

Accounts payable and accrued expenses in the governmental activities consist of 97% due to other governments and 3% vendor payables. Business-type activities payables consist of 69% accrued interest and 31% vendor payables. Discretely presented component unit payables consist of 100% vendor payables.

**E. Interfund transfers**

The composition of interfund transfers is as follows:

	Transfers Out		
	General Fund	Major Streets Fund	Total
<b>Transfers in</b>			
Local Streets Fund	\$ -	\$ 5,200	\$ 5,200
Internal Service Fund	40,400	-	40,400
<b>Total</b>	<b>\$ 40,400</b>	<b>\$ 5,200</b>	<b>\$ 45,600</b>

Interfund transfers are used to 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them and 2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.



**VILLAGE OF ROSCOMMON**  
**NOTES TO FINANCIAL STATEMENTS**

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**F. Long-term liabilities**

	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
<b>Governmental activities</b>			
Note payable	2009	-	\$ 135,558
Accrued Vacation and Sick			<u>6,060</u>
<b>Total governmental activities</b>			<u><b>141,618</b></u>
<b>Business-type activities</b>			
<b>Enterprise Funds</b>			
Water Supply System Revenue Bond, Series 1972	2012	5.00%	49,000
Sewer Supply System Revenue Bond, Series 1972	2011	5.00	89,000
General Tax Obligation Bond, Series 1998	2038	4.50	1,420,268
Water Supply System Revenue Bond, Series 2003	2043	4.50	714,000
Water Supply System Revenue Bond, Series 2003	2011	2.00 – 3.60	125,000
Accrued Vacation and Sick			<u>5,256</u>
<b>Total Enterprise Funds</b>			<u><b>2,402,524</b></u>
<b>Internal Service Funds</b>			
Note payable	2006	6.45	20,466
Note payable	2006	6.45	<u>15,168</u>
<b>Total Internal Service Funds</b>			<u><b>35,634</b></u>
<b>Total Primary Government</b>			<u><b>2,579,776</b></u>
<b>Component Unit</b>			
Downtown Development Authority (DDA)			
DDA General Obligation Bond, Series 1994	2014	6.40 – 7.20	<u>270,000</u>
<b>Total Reporting Entity</b>			<u><b>\$ 2,849,776</b></u>

The revenue bonds' principal and interest are to be paid from the net revenues from the respective water supply system and sewer supply system.

The general obligation bonds within the Sewer Fund have the Village's limited tax obligation. The payments of principal and interest are funded by property tax revenues.

**VILLAGE OF ROSCOMMON**  
**NOTES TO FINANCIAL STATEMENTS**

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The general obligation bonds within the Component Unit have the Village's limited tax obligation. The payments of principal and interest are made from tax increment financing proceeds of the affected districts.

Following is a summary of bond, note payable and accrued sick and vacation transactions of the Village including the DDA Component Unit for the year ending December 31, 2004:

	Primary Government				Component Unit
	General Obligation Bonds	Revenue Bonds	Note Payable	Accrued Sick and Vacation	General Obligation Bonds
Balances payable January 1, 2004	\$ 1,438,268	\$ 1,014,000	\$ 53,784	\$ 9,733	\$ 290,000
Note proceeds	-	-	150,000	-	-
Sick and vacation earned	-	-	-	11,126	-
Sick and vacation used	-	-	-	(9,543)	-
Bonds and notes retired	(18,000)	(37,000)	(32,592)	-	(20,000)
<b>Balances payable December 31, 2004</b>	<b>\$ 1,420,268</b>	<b>\$ 977,000</b>	<b>\$ 171,192</b>	<b>\$ 11,316</b>	<b>\$ 270,000</b>
Principal and interest due in one year	<u>\$ 83,193</u>	<u>\$ 79,310</u>	<u>\$ 53,651</u>	<u>\$ -</u>	<u>\$ 38,273</u>

The total accrued sick and vacation liability of \$11,316 is comprised of \$6,060 related to governmental activities and \$5,256 related to business-type activities.

In the governmental activities, compensated absences are generally liquidated by the General Fund.

**VILLAGE OF ROSCOMMON**  
**NOTES TO FINANCIAL STATEMENTS**

The annual requirements to pay principal and interest on long-term debt obligations are as follows:

<u>Obligation Bond</u>	<u>Governmental Activities</u>		<u>Business-Type</u>		<u>Business-Type</u>		<u>Business-Type</u>		<u>Component Unit</u>		<u>General</u>
	<u>Note Payable</u>		<u>General Obligation Bond</u>		<u>Revenue Bonds</u>				<u>Notes Payable</u>		
<u>Fiscal</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	2005	\$ 28,477	\$ 4,085	\$ 19,000	\$ 64,193	\$ 37,000	\$ 42,310	\$ 19,291	\$ 1,797	\$ 20,000	\$ 18,273
	2006	29,390	3,173	19,000	63,338	40,000	40,802	16,343	533	20,000	16,943
	2007	30,332	2,231	21,000	62,438	41,000	39,152	-	-	20,000	15,593
	2008	31,304	1,258	21,000	61,493	41,000	37,442	-	-	25,000	14,050
	2009	16,055	248	22,000	60,525	49,000	35,545	-	-	25,000	12,313
	2010-14	-	-	126,000	286,470	141,000	151,632	-	-	160,000	31,219
	2015-19	-	-	158,000	254,610	59,000	134,869	-	-	-	-
	2020-24	-	-	197,000	214,853	75,000	119,858	-	-	-	-
	2025-29	-	-	246,000	165,240	93,000	101,003	-	-	-	-
	2030-34	-	-	306,000	103,410	115,000	77,738	-	-	-	-
	2035-39	-	-	285,268	27,968	143,000	48,848	-	-	-	-
	2040-43	-	-	-	-	143,000	13,388	-	-	-	-
		<u>\$ 135,558</u>	<u>\$ 10,995</u>	<u>\$ 1,420,268</u>	<u>\$ 1,364,538</u>	<u>\$ 977,000</u>	<u>\$ 842,587</u>	<u>\$ 35,634</u>	<u>\$ 2,330</u>	<u>\$ 270,000</u>	<u>\$ 108,391</u>

**VILLAGE OF ROSCOMMON**  
**NOTES TO FINANCIAL STATEMENTS**

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**IV. OTHER INFORMATION**

**A. Risk management**

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. During the year ended December 31, 2004, the Village carried commercial insurance through various commercial carriers, to cover all risks of loss. The Village has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

**B. Property taxes**

The Village's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through September 14; as of February 28 of the succeeding year, unpaid real property taxes are sold to and collected by Roscommon County.

Assessed values as established annually by the Village, and subject to acceptance by the County, are equalized by the state at an estimated 50% of current market value. Real and personal property in the Village for the 2003 levy were assessed and equalized at \$22,420,840 (not including properties subject to Industrial Facilities Tax Exemption), representing 50% of estimated current market value. The government's general operating tax rate for fiscal year 2004 was 9.989 mills, with an additional 5.85 mill levied for water supply and sewage disposal debt retirement.

Property taxes for the DDA are derived from a tax increment financing agreement between the DDA and other related taxing districts. Under this arrangement, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the Village, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

**C. Defined contribution plan**

The Village sponsors the "Village of Roscommon Employee Pension Plan and Trust" defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The plan is available to all full time employees who have completed on year of service. Participants vest 20% each year for the first five years of service and are 100% vested thereafter. Participants are required to contribute 3% of their base pay and the Village is required to contribute an amount equal to 13% of the participant's base pay.

**VILLAGE OF ROSCOMMON**  
**NOTES TO FINANCIAL STATEMENTS**

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The plan is administered by third-party trustees. Plan provisions and contribution requirements were established and can only be amended by the authorization of the Village Council. During 2004, the Village contributed \$18,996 and eligible employees contributed \$4,383.

**D. Restatements**

As of and for the year ended December 31, 2004, the Village implemented the following Governmental Accounting Standards Board pronouncements:

**Statements**

- No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

**Interpretation**

- No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. The more significant changes required by the new standards include:

- Management’s discussion and analysis
- Basic financial statements that include
  - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
  - Fund financial statements, consisting of a series of statements that focus on a government’s major governmental funds and enterprise funds;
  - Schedules to reconcile the fund financial statements to the government-wide financial statements;
  - Notes to the basic financial statements
- Required supplementary information, including certain budgetary schedules

As a result of implementing these pronouncements for the fiscal year ended December 31, 2004, the following restatements were made to beginning fund balance and net asset accounts:

The beginning net assets of the Sewer and Water Enterprise Fund and of the Internal Service

**VILLAGE OF ROSCOMMON**  
**NOTES TO FINANCIAL STATEMENTS**

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Fund were derived by aggregating the previously reported retained earnings and contributed capital of those funds.

***Government-wide financial statements.*** Beginning net assets for governmental activities was determined as follows:

Fund balances of General, special revenue, and capital project funds as of December 31, 2003	\$ 704,648
Add - governmental capital assets, including general fixed assets, as of December 31, 2003	465,247
Deduct - accumulated depreciation as of December 31, 2003 on above governmental capital assets	(98,452)
Deduct - governmental compensated absences payable as of December 31, 2003	<u>(5,190)</u>
<b>Governmental net assets, restated, as of January 1, 2004</b>	<b><u>\$ 1,066,253</u></b>

Beginning net assets for business-type activities was determined as follows:

Net assets of enterprise funds as of December 31, 2003	\$ 4,495,669
Add – business-type internal service fund net assets as of December 31, 2003	<u>149,640</u>
<b>Business-type net assets, restated, as of January 1, 2004</b>	<b><u>\$ 4,645,309</u></b>

Beginning net assets of component unit activities was determined as follows:

Fund balance of Downtown Development Authority as of December 31, 2003	\$ 229,460
Deduct - general obligation bonds payable as of December 31, 2003	<u>(290,000)</u>
<b>Downtown Development Authority net assets, restated, as of January 1, 2004</b>	<b><u>\$ (60,540)</u></b>

\* \* \* \* \*

**VILLAGE OF ROSCOMMON**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

**DECEMBER 31, 2004**

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Major Street</u>	<u>Local Street</u>	<u>Industrial Park Fund</u>	
<b>Assets</b>				
Cash and cash equivalents	\$ 190,961	\$ 96,208	\$ 7,993	\$ 295,162
Due from other governments	4,940	2,262	-	7,202
<b>Total assets</b>	<b><u>\$ 195,901</u></b>	<b><u>\$ 98,470</u></b>	<b><u>\$ 7,993</u></b>	<b><u>\$ 302,364</u></b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 1,000	\$ 1,000
<b>Fund balances</b>				
Unreserved and undesignated	195,901	98,470	6,993	301,364
<b>Total liabilities and fund balances</b>	<b><u>\$ 195,901</u></b>	<b><u>\$ 98,470</u></b>	<b><u>\$ 7,993</u></b>	<b><u>\$ 302,364</u></b>

# VILLAGE OF ROSCOMMON

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Special Revenue Funds</b>		<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Major Street</b>	<b>Local Street</b>	<b>Industrial Park Fund</b>	
<b>Revenues</b>				
State revenues	\$ 65,264	\$ 30,087	\$ -	\$ 95,351
Interest	1,945	876	76	2,897
<b>Total revenues</b>	<b>67,209</b>	<b>30,963</b>	<b>76</b>	<b>98,248</b>
<b>Expenditures</b>				
<b>General government</b>				
Unallocated	-	-	985	985
<b>Highway and streets</b>				
Administration	9,630	9,630	-	19,260
Routine maintenance	18,837	16,162	-	34,999
Traffic services	2,100	1,157	-	3,257
Winter maintenance	11,330	10,437	-	21,767
<b>Total highway and streets</b>	<b>41,897</b>	<b>37,386</b>	<b>-</b>	<b>79,283</b>
<b>Total expenditures</b>	<b>41,897</b>	<b>37,386</b>	<b>985</b>	<b>80,268</b>
Revenues over (under) expenditures	25,312	(6,423)	(909)	17,980
<b>Other financing sources (uses)</b>				
Transfers in	-	5,200	-	5,200
Transfers out	(5,200)	-	-	(5,200)
<b>Total other financing sources (uses)</b>	<b>(5,200)</b>	<b>5,200</b>	<b>-</b>	<b>-</b>
Net change in fund balances	20,112	(1,223)	(909)	17,980
Fund balances, beginning of year	175,789	99,693	7,902	283,384
<b>Fund balances, end of year</b>	<b>\$ 195,901</b>	<b>\$ 98,470</b>	<b>\$ 6,993</b>	<b>\$ 301,364</b>



# VILLAGE OF ROSCOMMON

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL MAJOR STREET FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
State revenues	\$ 70,200	\$ 65,804	\$ 65,264	\$ (540)
Interest	1,000	1,377	1,945	568
<b>Total revenues</b>	<b>71,200</b>	<b>67,181</b>	<b>67,209</b>	<b>28</b>
<b>Expenditures</b>				
Public works - highways and streets	66,000	61,981	41,897	(20,084)
Revenues over expenditures	5,200	5,200	25,312	20,112
<b>Other financing (uses)</b>				
Transfers out	(5,200)	(5,200)	(5,200)	-
Net change in fund balance	-	-	20,112	20,112
Fund balance, beginning of year	175,789	175,789	175,789	-
<b>Fund balance, end of year</b>	<b>\$ 175,789</b>	<b>\$ 175,789</b>	<b>\$ 195,901</b>	<b>\$ 20,112</b>

# VILLAGE OF ROSCOMMON

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL LOCAL STREET FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
<b>Revenues</b>				
State revenues	\$ 32,000	\$ 30,349	\$ 30,087	\$ (262)
Interest	600	709	876	167
<b>Total revenues</b>	<b>32,600</b>	<b>31,058</b>	<b>30,963</b>	<b>(95)</b>
<b>Expenditures</b>				
Public works - highways and streets	72,800	71,258	37,386	(33,872)
Revenues (under) over expenditures	(40,200)	(40,200)	(6,423)	33,777
<b>Other financing sources</b>				
Transfers in	40,200	40,200	5,200	(35,000)
Net change in fund balance	-	-	(1,223)	(1,223)
Fund balance, beginning of year	99,693	99,693	99,693	-
<b>Fund balance, end of year</b>	<b>\$ 99,693</b>	<b>\$ 99,693</b>	<b>\$ 98,470</b>	<b>\$ (1,223)</b>

# VILLAGE OF ROSCOMMON

## BALANCE SHEET AND STATEMENT OF NET ASSETS DOWNTOWN DEVELOPMENT AUTHORITY

DECEMBER 31, 2004

	<b>Balance Sheet</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 116,652	\$ -	\$ 116,652
Due from other governments	384,676	-	384,676
<b>Total assets</b>	<b>\$ 501,328</b>	<b>\$ -</b>	<b>501,328</b>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 585	\$ -	\$ 585
Deferred revenue	384,676	-	384,676
Noncurrent liabilities			
Due within one year	-	20,000	20,000
Due in more than one year	-	250,000	250,000
<b>Total liabilities</b>	<b>385,261</b>	<b>270,000</b>	<b>655,261</b>
<b>Fund balances</b>			
Unreserved, undesignated	116,067	(116,067)	-
<b>Total liabilities and fund balances</b>	<b>\$ 501,328</b>		
<b>Net Assets</b>			
Unrestricted		(153,933)	(153,933)
<b>Total net assets (deficit)</b>		<b>\$ (153,933)</b>	<b>\$ (153,933)</b>

Continued ...

# VILLAGE OF ROSCOMMON

## BALANCE SHEET AND STATEMENT OF NET ASSETS DOWNTOWN DEVELOPMENT AUTHORITY

DECEMBER 31, 2004

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### Reconciliation of Fund Balances on the Balance Sheet for the Component Unit to Net Assets of the Component Unit on the Statement of Net Assets

Fund balances - component unit	\$ 116,067
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Amounts reported for the component unit in the statement of net assets  
are different because

Certain liabilities, such as bonds payable, are not due and payable in the  
current period and therefore are not reported in the funds.

Deduct - bonds, notes and loans payable	<u>(270,000)</u>
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<b>Net assets of component unit (deficit)</b>	<b><u><u>\$ (153,933)</u></u></b>
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Concluded

# VILLAGE OF ROSCOMMON

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES DOWNTOWN DEVELOPMENT AUTHORITY

FOR THE YEAR ENDED DECEMBER 31, 2004

	Statement of Revenues, Expenditures and Changes in Fund Balance	Adjustments	Statement of Activities
<b>Program revenues</b>			
Property taxes	190,109	-	190,109
Interest	371	-	371
Contributions	150,000	-	150,000
<b>Total program revenues</b>	<b>340,480</b>	<b>-</b>	<b>340,480</b>
<b>Expenditures/expenses</b>			
Economic development	\$ 413,990	\$ 19,883	\$ 433,873
Debt service			
Principal	20,000	(20,000)	-
Interest	19,883	(19,883)	-
<b>Total expenditures/expenses</b>	<b>453,873</b>	<b>(20,000)</b>	<b>433,873</b>
Change in net assets	(113,393)	20,000	(93,393)
Fund balances/net assets			
Beginning of year, as restated	229,460	(290,000)	(60,540)
<b>End of year</b>	<b>\$ 116,067</b>	<b>\$ (270,000)</b>	<b>\$ (153,933)</b>

Continued ...

# VILLAGE OF ROSCOMMON

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND STATEMENT OF NET ASSETS DOWNTOWN DEVELOPMENT AUTHORITY

FOR THE YEAR ENDED DECEMBER 31, 2004

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### Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of the Component Unit to the Statement of Activities

Net change in fund balances - component unit	\$	(113,393)
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Amounts reported for the component unit in the statement of activities  
are different because

Bond proceeds provide current financial resources to governmental funds  
in the period issued, but issuing bonds increases long-term liabilities in the  
statement of net assets. Repayment of bond principal is an expenditure  
in the governmental funds, but the repayment reduces long-term liabilities  
in the statement of net assets.

Add - principal payments on long-term liabilities		<u>20,000</u>
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Change in net assets of component unit	\$	<u><u>(93,393)</u></u>
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Concluded



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

January 27, 2005

Village Council  
Village of Roscommon, Michigan

In planning and performing our audit of the financial statements of the ***Village of Roscommon*** (the "Village") as of and for the year ended December 31, 2004 we considered the Village's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of some matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated January 27, 2005 on the financial statements of the Village.

We will review the status of these comments and suggestions during our next audit engagement. We have already discussed many of these comments and suggestions with various Village personnel, and we will be pleased to discuss them in further detail at your convenience, to perform additional study of these matters, or to assist you in implementing the recommendations.

We would like to thank everyone at the Village who assisted us during the audit and would like to commend the Clerk/Treasurer's office for the excellent work they do to provide useful and accurate accounting information for the audit and for the citizens of the Village.

# **VILLAGE OF ROSCOMMON**

## **COMMENTS AND RECOMMENDATIONS**

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### **PRIOR YEAR MANAGEMENT COMMENTS**

#### **A) Reporting budget and actual comparisons**

Fund Balance, the accounting software system used by the Village includes a budget module that will allow for monthly budget to actual reports and has the capability of reporting original and final amended budgets. Currently, Village personnel are using EXCEL for purpose of reporting budget activity to the Council. This input process results in inefficiencies (additional time required by Village personnel to generate the EXCEL reports instead of just inputting it in the accounting software system) and could result in input errors causing inaccuracies. We would recommend that the Village fully utilize the reporting capabilities of the Fund Balance software for providing budget to actual reports to Council.

#### **B) Policies and procedures and staff training**

The accounting department of any entity operates most effectively and efficiently when it has appropriately established policies and procedures under which to conduct business. These procedures define the way in which the business of the Village is to be conducted, how transactions are to be processed, who and when management approval is required, etc. Further procedures may address software system security issues such as anti-fraud programs, network and software security programs and disaster recovery programs.

Although the Village, as is true for all governmental units, is required to follow the State Accounting Manual issued by the Michigan Department of Treasury, each policy and procedure must be tailored to the Village's unique features.

Currently, the Village has no formal written policies and procedures, although informal policies and procedures are in place. If and when questions arise, no written guidance is available to follow. Further, if certain staff members were required to take an untimely leave of absence, there is no current documentation to assist other staff members in performing the required duties.

We recommend the Village begin documenting its significant policies and procedures, in line with the State Accounting Manual. This will provide future guidance in how accounting and management are to perform their financial responsibilities. Further, it can be used to define IT security issues, back up systems and procedures, anti-fraud programs, conflict of interest statements, investment and EFT policies and disaster recovery programs.

#### **C) Accounting system back-up procedures and disaster recovery plans**

Certain financial data is being backed up routinely in various areas of the Village on at least a bi-monthly basis. These back-ups, however, are generally being stored on site. If a disaster such as a fire were to occur, even though back-ups have been performed, they may be lost. Further, the back-up data would be piecemeal at best.



## VILLAGE OF ROSCOMMON

### COMMENTS AND RECOMMENDATIONS

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Alternatively, we recommend that one Village employee be responsible for performing a back-up of the entire software system on a weekly basis. The back-up tape or other device should then be stored off-site and rotated weekly or monthly. This would result in a full back up of data stored outside of the Village and would be available if a disaster were to occur.

Further, the Village should establish a written plan for how the Village would conduct business if a disaster were to occur that would not allow the staff to operate in their current facility. This plan would include an alternative site, availability of computer hardware, control over financial data, etc.

#### **D) Segregation of Duties**

The size of the accounting staff of the Village of Roscommon precludes adequate segregation of duties for optimal internal control. Ideally, the internal control system of the Village should segregate the accounting responsibilities from employees who have access to or custody of physical assets such as cash and inventory of those with management responsibilities, for example authorization and approval of transactions and accounting reconciliations should not have accounting responsibilities or custody of physical assets.

Currently, the Village has reportable conditions resulting from a lack of segregation of duties and a lack of appropriate review and approval processes in the following areas:

- The Treasurer collects and deposits cash (custody of assets) and reconciles the bank accounts (management review and approval). Although we found no evidence of misappropriation of cash, this lack of segregation of duties would allow a Village employee to inappropriately account for cash collected and deposited in accounts outside the Village's control. We recommend that, where possible, cash be collected and a deposit ticket be prepared by someone other than the Village Treasurer. Once the deposit is made, the duplicate ticket can be compared to the amounts recorded in the accounting records to ensure all cash of the Village was appropriately deposited in the Village accounts.
- The water and sewer utility transactions are being processed by one individual. This individual is downloading the meter readings and preparing and posting the utility billings. In addition, this same individual is making billing adjustments as deemed necessary and posting those adjustments to the Village accounts. This lack of segregation of duties, mainly in the area of review and approval of transactions, could allow an employee to adjust rates and make adjustments inappropriately, which may result in a misappropriation of Village assets. We recommend after downloading the meter readings, since this report is unable to be altered, it be forwarded to the Village Clerk, for late comparison to the billing report to ensure no unauthorized adjustments to meter reads have been made.

## VILLAGE OF ROSCOMMON

### COMMENTS AND RECOMMENDATIONS

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- The attempt by the Village to separate duties has created a situation where the Clerk writes the operating checks of the Village and the Treasurer disburses grant related funds. This does not allow for a separate individual to perform the reconciliation process (management review and approval). To better separate duties between employees, we recommend one individual process all checks, requiring the dual signature for payment, and the other perform the bank reconciliation.

#### **E) Budget**

The Village's 2004 budget adoption resolution states the expenditures are adopted by fund level (total expenditures). The Uniform Budget Manual, which can be obtained on the State of Michigan, Department of Treasury website at [treas.state.mi.us/localgov](http://treas.state.mi.us/localgov), states the expenditures must be adopted by activity level.

For fiscal 2005, you will need to modify your budget adoption resolution to adopt expenditures by activity level instead of fund level. Once this modification had been made the Village will be in compliance with the State of Michigan Uniform Budget Manual.

#### **CURRENT YEAR MANAGEMENT COMMENTS**

##### **A) Act 51 requirements**

Public Act 51 states that the maximum to be spent on major and local street administration expense is 10% of the Village's annual gas and weight tax revenue (Section 13 MCL 247.663). In the current year, the local and major street administration expenses was \$9,630 for each fund, which exceeded allowable amounts of \$3,009 (\$30,087 Gas and Weight tax revenue within the Local Street funds multiplied by ten percent) and \$6,526 (\$65,264 Gas and Weight tax revenue within the Major Street funds multiplied by ten percent), respectively.

The unallowable portion of administration expenses needs to be recorded and subsidized by the revenue of another fund such as General Fund. To be in compliance, the Village must transfer funds into the Major and Local Street Funds to subsidize the additional administrative expenses, or move the additional administrative expenses to another fund. This will prevent the Village from receiving any comments from Michigan Department of Transportation for Public Act 51 noncompliance.